

# Tax Practitioner Guidelines for Computer-Prepared Returns

## Introduction

The Franchise Tax Board (FTB) has established these guidelines for tax practitioners who use personal computers (or service bureaus) to computer-prepare the following personal income tax returns filed on paper:

- Form 540, *California Resident Income Tax Return*;
- Form 540A, *California Resident Income Tax Return*;
- Form 540-ES, *Estimated Tax for Individuals*;
- Form 540 2EZ, *California Resident Income Tax Return*;
- Form 540NR, *California Nonresident or Part-Year Resident Income Tax Return (Long and Short Forms)*;
- Form 540X, *Amended Individual Income Tax Return*;
- Form 541-ES, *Estimated Tax for Fiduciaries*;
- Form FTB 3519, *Payment Voucher for Automatic Extension for Individuals*;
- Form FTB 3563, *Payment Voucher for Automatic Extension for Fiduciaries*; and
- Form FTB 3582, *Payment Voucher for Electronically Transmitted Returns*.

This publication also provides information on:

- The e-file Program. See Page 5.
- Filing Business Entity Returns, including paperless Schedules K-1 (565 and 568). See Page 5.

If you manually prepare your clients' returns, you must use the official form as printed and distributed by the FTB or an FTB-approved substitute version.

By following these guidelines, you will help reduce delays in processing and get your clients' refunds to them faster.

As a tax practitioner, you do not need approval by the FTB to computer-prepare your clients' returns. However, make sure that the tax software or service bureau you use produces FTB-approved forms. Ask your software provider for a copy of its FTB-approval letter for the form(s) you want to prepare.

**Note:** If you purchase software that allows you the ability to create tax forms that your clients will file with FTB, they may need FTB approval first. Get FTB Pub. 1098, *Guidelines for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms*, and form FTB 1096, *Agreement to Comply with Pub. 1098*, for more information.

To ensure that you receive software updates and other information necessary to produce FTB-approved forms, register with your software provider, as necessary, upon receiving the product.

## General Information About Scannable Form 540 and Form 540A

(A graphic of these forms is shown on page 7.)

The FTB will use its automated processing system to scan (lift) information from these tax returns, rather than having the information entered manually by key data operators.

The computer-prepared Forms 540 and 540A you print **must** have the scannable graphic patch located in the center top margin of Side 1. The patch identifies Side 1 of a taxpayer's return as it enters the automated system.

Forms 540 and 540A **must** have a scannable band area that contains the taxpayer's tax data. On Form 540, the scanband directly follows the "Step 1 Name and Address" area. On Form 540A, the scanband is at the bottom of Side 1. The two-digit field numbers in the scanband area correspond to the line numbers in the conventional areas of Forms 540 and 540A. Even though the tax data will print in the scanband and the conventional area of the form, only the tax data in the scanband will be "lifted." Monetary amounts in the scanband **must** be whole dollars only, without decimal points or other punctuation. The rest of the scannable form is exactly like the official form.

**Exceptions:** Line 12a will print as line 12 and line 13g will print as line 13 in the scanband on scannable Form 540A.

**Note:** The FTB will capture the tax practitioner's identification number, i.e., federal employer identification number (FEIN), and the tax preparer's identification number (PTIN), or social security number (SSN) on electronic, imaged, and manually processed returns.

## What is Needed to Computer-Prepare California Tax Forms

Tax practitioners may produce returns using:

- Software that produces FTB-approved forms;
- Personal computer hardware required by the software to produce FTB-approved forms (i.e., font cartridges, etc);
- Good quality, white, standard, stock machine paper (8 1/2 x 11 at minimum 20 lb weight);
- Black ink; and
- Software user manuals that include instructions for correctly producing FTB-approved forms.

Please read your software provider's user manual (and ALL "Read Me's," etc.) to make sure you have the necessary hardware and printer fonts to correctly produce FTB-approved forms. **Note:** "Read Me's" are a great resource tool to learn about enhancements or revisions made to the software you use.

All printing must be:

- Laser, ink jet, or "letter quality" dot matrix;
- Courier 12 point, standard OCR-A font, or standard print font (no bold font);
- Alpha characters must be in upper case;
- Original printed output (no corrections or photocopies accepted); and
- On one side of the paper only.

## Guidelines on How to Enter Taxpayer Entity Information on Computer-Prepared Personal Income Tax Forms

Taxpayer entity information is arranged in fixed positions with defined field lengths. Each field is dedicated to hold specific information such as:

- Spouse name;
- Executor/guardian name;
- Apartment and apartment number (or letter);
- Private mailbox (for the "PMB" to print) and PMB number (or letter); and
- Deceased date of taxpayer or taxpayer's spouse, if any.

It is critical that you enter the taxpayer entity information correctly. This will help the FTB to accurately process your clients' returns, and help ensure that your clients' refund checks print with the correct name(s) and address. Your clients' entity information should print like the examples shown under "Taxpayer Entity Information Examples" shown on Page 2.

**Note:** The FTB encourages the use of the PMB no. field; however, the FTB realizes that not all of your clients will choose to use this field.

### Two Asterisks (\*\*) in the Entity

Two asterisks (\*\*) in the taxpayer entity area indicate to the FTB that certain taxpayer information is **UNCHANGED** from last year. Print two asterisks **ONLY** if the taxpayer (and taxpayer's spouse, if any):

- Filed a California Form 540, 540A, 540 2EZ, or Long or Short 540NR tax return last year;
- Did **not** change the address from the one shown on last year's tax return;
- Has the same social security number (SSN) as last year;
- Has the same name (first, middle, and last) as last year;
- Has the same filing status as last year; and
- Is not deceased.

Otherwise, **do not** print the asterisks.

**Taxpayer Name and Address Entry Instructions**

Use these instructions when you enter your client's name and address information. It will help reduce the FTB processing time and help ensure that refunds are mailed to the correct name(s) and address.

- Alpha characters must be in upper case.
- Use no punctuation or symbols. **Note:** If a fraction is part of the street address, enter a forward facing slash (/). This symbol is the **only** one you may use in the taxpayer address area.
- Do not use commas or periods to separate information.
- **Never** space or use punctuation in the taxpayer's name control field. (The name control is the first four letters of the taxpayer's last name. The name control follows the taxpayer's SSN.)

**Note:** Form 541-ES and form FTB 3563: Name control is the first four letters of the estate or trust's proper name and follows the estate's or trust's FEIN.

**Example:** McPeak Enter: MCPE  
 O'Toole Enter: OTOO  
 De Martino Enter: DEMA  
 Lee Enter: LEE  
 Lee-Smith Enter: LEES

- Do not include titles or ranks such as: DR, MD, ENSIGN, SGT, etc.
- Use Roman numerals (alpha characters) for numeric suffixes.
- Never space within the name field(s) except for JR, SR, II, etc.

Example of first name: Jo Anne Enter as: JOANNE  
 Example of last name: Von Wodtke Enter as: VONWODTKE  
 Example of last name: Lee-Smith Enter as: LEESMITH

- The SSN must be 11 digits (includes "-"). Enter "000-00-0000" in the SSN field if an individual has applied for or does not have an SSN.

**Note:** Form 541-ES and form FTB 3563: The FEIN must be 10 digits (includes "-").

- Use the standard abbreviations listed to the right for the suffix of the street name.
- **Do not** enter the abbreviation for apartment (APT) or the apartment number or letter in the street address field. Enter these items in the designated "apartment" and "apartment number" fields that directly follow the street address field. **Note:** Also use the "apartment" field for these abbreviations: STE, RM, FL, SP, BLDG, and UN. **Never use the pound sign (#) to precede the number or letter.**

See *Taxpayer Entity Information Example:* IMA REFUND or JACOB H HARLEY and CHRISTINE S BLAKE.

- Enter private mailbox information in the designated "PMB" and "PMB number or letter" fields. These fields directly follow the "apartment number" field.

See *Taxpayer Entity Information Example:* GRACE ALEXANDER.

- The additional address field is for supplemental address information. Use it to enter **only** "In care of" name(s) or "additional address information."

- Military "APO" or "FPO" addresses:
  - Enter "APO" or "FPO" in the first three positions of the city field;
  - **Do not** enter the name of the city for "APO" and "FPO" addresses;
  - Enter the two-digit state code in the state field:

City Field	State Code	ZIP Code Range
APO	AA	34000-34099
APO	AE	09000-09999
FPO	AP	96200-96699 and 98700

See *Taxpayer Entity Information Example:* JAMIE L MISSION.

- In the state field, use the standard two-digit abbreviation for the state or United States possessions shown to the right.
- If the address is a foreign address, enter the country name beginning in the state field.
- The ZIP Code may be 10 digits (including "-").
- If after applying these guidelines the information exceeds the field length, truncate the information from the right.

**Taxpayer Entity Information Examples:**

**Note:** If there is no spouse name, leave that line blank. If there is no additional address or executor/guardian name, leave that line blank.

111-11-1111 JAMIE	MISS ** L MISSION	02	111-11-1111 JACOB CHRISTINE 9876 LONGNAME WY WALLACE	HARL ** H HARLEY S BLAKE	222-22-2222	02		
PO BOX 888 APO	AP 96558						APT 1	
111-11-1111 JORDAN MELISSA	TAXP ** Q TAXPAYER S TAXPAYER	222-22-2222	02	111-11-1111 ERIK	SMIT T SMITH			02
12345 SHORT ST ANYPLACE	CA 12345			HOMESTYLE NURSING HOME 3452 BUSY DR BORDERTOWN	CA 12345			
111-11-1111 IMA	REFU REFUND		02	(DECD 12-10-02) AUSTIN JOSEPH UN 5				
1234 BEAUTIFUL DR WELCOME	CA 54321-4334							
38-3897821 ROBERT JEFFREY	SMIT L SMITH TRUST A JONES TRUSTEE							02
7321 PARK PL ANYTOWN	CA 59321-8420							
111-11-1111 GRACE	ALEX ALEXANDER							02
9223 HAPPY AV VALLEY	CA 12345-6789						PMB 14	

**Standard Abbreviations**

AIR FORCE BASE	AFB	PARKWAY	PKY
APARTMENT	APT	PLACE	PL
AVENUE	AV	PLAZA	PLZ
BOULEVARD	BL	POINT	PT
BUILDING	BLDG	POST OFFICE BOX	PO BX
CAUSEWAY	CSWY	ROAD	RD
CENTER	CTR	ROOM	RM
CIRCLE	CIR	SAN/SANTO	SN
COURT	CT	SOUTH *	S
CROSSING	XING	SOUTHEAST *	SE
DEPARTMENT	DEPT	SOUTHWEST *	SW
DRIVE	DR	SPACE	SP
EAST *	E	SQUARE	SQ
EXPRESSWAY	EXPY	STREET	ST
FLOOR	FL	SUITE	STE
FREEWAY	FWY	TERRACE	TER
HIGHWAY	HWY	TRACK	TRAK
LANE	LN	UNIT	UN
LOOP	LP	WALK	WK
NORTH *	N	WALKWAY	WKWY
NORTHEAST *	NE	WAY	WY
NORTHWEST *	NW	WEST *	W
NUMBER	NO		

**Never use mixed upper/lower case or # sign.**

\*Abbreviate only when used as a direction.

**State and U.S. Possessions Abbreviations**

Alabama	AL	Montana	MT
Alaska	AK	Nebraska	NE
American Samoa	AS	Nevada	NV
Arizona	AZ	New Hampshire	NH
Arkansas	AR	New Jersey	NJ
California	CA	New Mexico	NM
Colorado	CO	New York	NY
Connecticut	CT	North Carolina	NC
Delaware	DE	North Dakota	ND
Dist Columbia	DC	Northern Mariana Islands	MP
Federated States of Micronesia	FM	Ohio	OH
Florida	FL	Oklahoma	OK
Georgia	GA	Oregon	OR
Guam	GU	Palau	PW
Hawaii	HI	Pennsylvania	PA
Idaho	ID	Puerto Rico	PR
Illinois	IL	Rhode Island	RI

continued on next page

Indiana	IN	South Carolina	SC
Iowa	IA	South Dakota	SD
Kansas	KS	Tennessee	TN
Kentucky	KY	Texas	TX
Louisiana	LA	Utah	UT
Maine	ME	Vermont	VT
Marshall Islands	MH	Virgin Islands	VI
Maryland	MD	Virginia	VA
Massachusetts	MA	Washington	WA
Michigan	MI	West Virginia	WV
Minnesota	MN	Wisconsin	WI
Mississippi	MS	Wyoming	WY
Missouri	MO		

## Miscellaneous Information

### Tax Preparer Identification Number: SSN, PTIN, and FEIN

Tax preparers have the option of using either their SSN or PTIN in the "Paid preparer's SSN/ PTIN" box in addition to their FEIN when signing tax returns for their clients.

### Direct Deposit of Refund (DDR)

DDR is available to your clients who file their personal income tax return electronically or on paper and to your business entity clients who file Forms 100, 100W, 100S, and 109. When your clients select this option, be sure to complete **ALL three** fields in the "Direct Deposit of Refund" area found on Side 2 of all personal income tax returns or Side 1 on the above mentioned business entity returns.

### Pay Your Taxes by Credit Card

Your clients may use their Discover/NOVUS, MasterCard, Visa or American Express card to pay their personal income taxes, including estimated tax. For more information about fees, etc., call (800) 272-9829, or visit the Website: [www.officialpayments.com](http://www.officialpayments.com)

### What are Keying Symbols?

Keying symbols are important. Although the FTB will process most personal income tax returns through its automated system, there are times when certain returns require manual intervention by the FTB's key data operators (KDO).

Keying symbols are shown on all computer-prepared tax returns, including the conventional parts of scannable forms. They will print to the left of specified tax data line numbers. They reduce time and guide KDOs, to enter the correct tax return information.

Exact placement, shape, and size of keying symbols that will be present on the 2002 personal income tax returns is shown below in the snapshot of a 2002 Form 540.

**Note:** Before you give your clients' their returns to file, please verify that these symbols are present. If they are not present, please read your software company's user manual and make sure you have the minimum hardware and printer fonts necessary to print the FTB-approved forms. If you cannot determine why the keying symbols do not print correctly, contact your software provider's technical support staff.

nd amount .	▶ 29		
.....	● 30		
.....	● 31		
.....		33	
.....	● 35		
.....	● 36		
.....	● 37		
.....	■ 38		
.....	■ 39		

### Dot Matrix Text Mode Forms

For filing purposes, the FTB does **not** accept ANY dot matrix text mode California tax forms and schedules because they do not contain the keying symbols and other required graphics necessary for processing.

You should see a "DO NOT FILE THIS FORM" message on the form(s). If the software you use does not provide the FTB-approved substitute form, you must transfer all information from the dot matrix text mode form to an official form. Go to the FTB's Website at: [www.ftb.ca.gov](http://www.ftb.ca.gov) for the official form you need.

### Fiscal Year Filers

If any of your clients file their personal income tax return on a fiscal year basis, the tax software you use must accommodate their needs. Not all tax software products support the filing of fiscal year personal income tax returns. As a result, you may need to complete the tax returns for your fiscal year clients manually.

Always remember to enter the fiscal year date as the filing date for your fiscal year clients. Otherwise, the FTB will process the tax return as a calendar year tax return. When this happens, the tax return most likely will appear to be delinquent in some way. As a result, your fiscal year clients could receive a delinquent or late payment of tax penalty or an underpayment of estimated tax penalty and may be assessed interest.

Contact your software provider and confirm the tax software you use supports fiscal year filing for personal income tax filers.

### Prior Year and Amended Returns

**Do not** use 2002 software to file a prior year tax return.

Amend personal income tax Forms 540, 540A, 540 2EZ, and Long or Short 540NR by completing Form 540X, *Amended Individual Income Tax Return*. **Note:** When amending Long or Short Form 540NR, you **must** also attach a revised Long or Short Form 540NR to Form 540X.

Amend corporate income tax Forms 100, 100S, and 100W by completing Form 100X, *Amended Corporation Franchise or Income Tax Return*.

### Form FTB 3595, Special Handling Required

If your clients' Form 540, 540A, 540 2EZ, Long or Short 540NR, or 541 includes any of the special circumstances shown below, check the appropriate item(s) and staple form FTB 3595 to Side 1 in the upper left-hand corner.

- *Underpayment of Estimated Tax by Farmers and Fishermen* (form FTB 5805F);
- *Underpayment of Estimated Tax by Individuals and Fiduciaries* (form FTB 5805);
- Deceased taxpayer or spouse;
- Taxpayer out of country on original due date of tax return;
- Military Out of Country — Service in a Combat Zone;
- Disaster; and
- Form 540X filed in response to notice of proposed assessment.

**Note:** Attach special handling forms FTB 5805, *Underpayment of Estimated Tax by Individuals and Fiduciaries*, or FTB 5805F, *Underpayment of Estimated Tax by Farmers and Fishermen*, to the front of Side 1 in the upper left-hand corner.

## Payment Forms (Vouchers)

There are several types of scannable payment forms (vouchers). They are:

- Form 540-ES, *Estimated Tax for Individuals*, is used by taxpayers to figure and pay their estimated tax.
- Form 541-ES, *Estimated Tax for Fiduciaries*, is used to figure and pay estimated tax for an estate or trust.
- Form FTB 3519, *Payment Voucher for Automatic Extension for Individuals*, is used **only** if taxpayers cannot file their 2002 tax return by April 15, 2003, and tax is due.
- Form FTB 3563 (541), *Payment Voucher for Automatic Extension for Fiduciaries*, is used **only** if an estate or trust cannot file Form 541, *California Fiduciary Income Tax Return*, by the original due date, and tax is due.
- Form FTB 3582 (e-file), *Payment Voucher for Electronically Transmitted Returns*, is used **only** when a tax return has been filed electronically, and there is a balance due.

**Do not** use any of the forms shown above to make installment payments for your clients that owe tax. Only the FTB can set up an installment agreement plan for your clients. Get form FTB 3567, *Installment Agreement Request*, for information on how to request an installment agreement plan for your clients. The taxpayer or you as the preparer can

access the FTB Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) (select "Installment Agreement Request") for more information and to be able to download forms to request an installment agreement online.

**Remind your clients to NOT mail any voucher, shown above to FTB if the payment amount is zero (0).**

## FTB Taxpayer Signature and Authentication Policy

The FTB's policy is to ensure proper authentication of the information provided to us by taxpayers. The level of authentication needed on specific documents depends on several factors, including how the FTB uses the information. To help you determine whether or not the FTB will accept photocopies or facsimiles of a taxpayer's signature(s), the FTB has categorized the level of signature authentication required into three groups. The category and its number (C1, C2, or C3) will print after the form number in the bottom margin on each tax form. The three categories are:

- Category 1 (C1) Original authentication required; facsimiles acceptable only if original is subsequently provided.
- Category 2 (C2) Copy of signature is sufficient proof that original was signed; photocopy or facsimile is acceptable.
- Category 3 (C3) No authentication required.

## Where To Get Income Tax Forms and Publications By Internet

Go to the FTB's Website at: [www.ftb.ca.gov/forms](http://www.ftb.ca.gov/forms).

## Additional Credit Names, Codes, and Acronym Names

The tax software you use should include the credit acronym and code number for each additional credit shown below. See *Claiming Additional Credits on Personal and Business Entity Tax Returns (Forms 100, 100S, 100W, 540, and Long Form 540NR)*, on Page 5.

\*PIT = Personal Income Tax

\*CT = Corporation Tax

Credit Name	Code	Acronym	PIT*	CT*
Child Adoption	197	CHILD ADOPT	X	
Child and Dependent Care Expenses	NONE	NONE		X
Community Development Financial Institution Deposits	209	CDFI DEPOSIT	X	X
Dependent Parent	173	DEP PARENT	X	
Disabled Access for Eligible Small Businesses	205	DSABL ACCESS	X	X
Donated Agricultural Products Transportation	204	DONATE AGTRN	X	X
Employer Child Care Contribution	190	CHLDCARE CTR	X	X
Employer Child Care Program	189	CHLDCARE PRG	X	X
Enhanced Oil Recovery	203	ENHNC OILREC	X	X
Enterprise Zone Employee	169	E/Z EMPL	X	
Enterprise Zone Hiring & Sales or Use Tax	176	E/Z HIRE/USE	X	X
Farmworker Housing: New Construction/Rehabilitation	207	F/W HS CONST		X
New Construction/Rehabilitation Loans	208	F/W HS LOAN		X
Joint Custody Head of Household	170	JT CSTDY HOH		X
Joint Strike Fighter: Property Costs	216	JSFPROPERTY	X	X
Wages	215	JSFWAGES	X	X

Credit Name	Code	Acronym	PIT*	CT*
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax	198	LAMBRA HR/US	X	X
Long-Term Care	214	LONGTERM	X	
Low-Income Housing	172	LOW-INC HOUS	X	X
Manufacturers' Investment	199	MFG INVSTMNT	X	X
Manufacturing Enhancement Area (MEA) Hiring	211	MEA HIRE	X	X
Natural Heritage Preservation Tax	213	HERITAGE	X	X
Nonrefundable Renter's Credit	NONE	NONE	X	
Other State Tax	187	OTHER STATE	X	
Prior Year Alternative Minimum Tax	188	PRIOR YR AMT	X	X
Prison Inmate Labor	162	INMATE LABOR	X	X
Research	183	RESEARCH	X	X
Rice Straw	206	RICE STRAW	X	X
Senior Head of Household	163	SR HOH	X	
Solar Energy	217	SOLAR ENERGY	X	X
Targeted Tax Area (TTA) Hiring & Sales or Use Tax	210	TTA HIRE/USE	X	X

### Repealed Credits with Carryover Provisions

Credit Name	Code	Acronym	PIT*	CT*
Agricultural Products	175	AGRI PRODUCT	X	X
Commercial Solar Electric System	196	COMSLR EL CO	X	X
Commercial Solar Energy	181	COM SLR NRG	X	X
Contribution of Computer Software	202	CTB COMPSOFT		X
Employee Ridesharing: Employee Vanpool Program	194	R/S EMPL VN	X	
Employer Ridesharing: Large Employer Program	191	R/S LG EMPLR	X	X
Small Employer Program	192	R/S SM EMPL	X	X
Employer Subsidized Public Transit Passes	193	R/S TRANSIT	X	X
Energy Conservation	182	NRG CSRV CO	X	X
Los Angeles Revitalization Zone Hiring & Sales or Use Tax	159	LARZ HRE/USE	X	X
Low-Emission Vehicles	160	LOW-EMS VHCL	X	X
Orphan Drug	185	ORPHN DRG CO	X	X
Political Contributions	184	POLTCL CTB	X	
Recycling Equipment	174	RCYCL EQUIP	X	X
Residential Rental & Farms Sales	186	RES RNT/FARM	X	
Ridesharing	171	R/S CO	X	X
Salmon & Steelhead Trout Habitat Restoration	200	SALMON/TROUT	X	X
Solar Energy	180	SLR NRG CO	X	X
Solar Pump	179	SLR PUMP CO	X	X
Technological Property Contribution	201	TECHPROP CTB		X
Water Conservation	178	WATRCSRV CO	X	
Young Infant	161	YNG INFNT CO	X	

## Additional Credits

Field numbers 28 and 29 in the scanband on Form 540 are where your clients' additional credit amounts, if any, print. The appropriate three-digit numeric credit code number **must** precede the additional credit amount.

### Additional Credit Example

Dependent Parent Credit (code 173) of \$20 in field number 28. The scanband on Form 540 will look like this:

28                    17320

For more information, refer to "Additional Credits Line 28 and Line 29" on page 8.

### Claiming Additional Credits on Personal and Business Entity Tax Returns (Forms 100, 100S, 100W, 540, and Long Form 540NR)

When your clients claim additional credits, the credit acronym, code number, and amount should print on the applicable lines of Forms 100, 100S, 100W, 540, and Long Form 540NR.

When a client claims credits on Schedule P (100, 100W, 540, or 540NR) and the credits are listed in more than one section, the tax software you use should total column (b) of the credits that have the same code numbers and bring the total forward to the applicable line of the tax return being filed.

If your client has any other credits to claim on Schedule P (100, 100W, 540, or 540NR), the tax software you use should add the amounts from column (b) for those credits and bring the total forward to the applicable line of the tax return being filed.

## FTB's e-file Program

Approximately 15,000 tax professionals have been approved by FTB and the IRS to provide e-filing services to the more than three million California taxpayers expected to e-file during the 2003 filing season. Major e-file benefits include:

- **Faster Refunds** – Your client can have a refund deposited directly into their bank account in five to seven banking days after the return is filed.
- **Electronic Funds Withdrawal** – Your client can request withdrawal of an amount due from their bank account, on the date they select.
- **Accurate returns** – e-file returns are much more accurate than paper returns. Since we check e-file returns for errors up front, your client is less likely to receive a notice later.
- **Acknowledgment of filing** – You will receive acknowledgment to confirm that the IRS and the FTB received your clients' tax returns.

The FTB e-file program has seen double-digit growth over the last several years. Join the thousands of tax professionals who have found that participating in the e-file program was a sound business decision.

## How to join the FTB e-file Program

**Step 1** – Submit an application, federal Form 8633, to the IRS. Get the application on their Website at: [www.irs.treas.gov/index.html](http://www.irs.treas.gov/index.html)

**Step 2** – Once the IRS approves your application, submit an application, form FTB 8633, to the FTB. Get the application on the FTB Website at: [www.ftb.ca.gov/elecscerv](http://www.ftb.ca.gov/elecscerv)

**Step 3** – You must pass FTB's suitability check:

- All business entities must be valid and licensed.
- All personal and/or business tax returns must be filed on time.
- All tax liabilities must be paid and/or current.

**To find out more about the FTB e-file Program:**

- Visit the FTB Website at: [www.ftb.ca.gov/elecscerv](http://www.ftb.ca.gov/elecscerv)
- Email your inquires to: [e-file@ftb.ca.gov](mailto:e-file@ftb.ca.gov)
- Call the e-file Help Desk: (916) 845-0353, Monday through Friday, 8 a.m. – 5 p.m.

## Filing Business Entity Returns

To ensure accurate and timely processing of your clients' business entity returns that require Schedules K-1 (100S, 541, 565, or 568), use software that produces the FTB-approved schedules. Make sure that the substitute forms you use meet the FTB's requirements. Schedules K-1 (565 and 568) filed with incomplete information may cause the FTB to

contact the partnership or limited liability company (LLC) for more information or return the Schedules K-1 to the partnership or LLC. Either circumstance may subject the partnership or LLC to penalties. **Reminder, do not file:**

- K-1 data on microfiche;
- Federal K-1 schedules (Sch. 1065);
- Database printout information; or
- Abbreviated schedules.

### California Encourages Tax Preparers to File Paperless Schedules K-1 (565 and 568)

For the highest rate of accuracy and rapid processing of your clients' partnership and LLC returns (Form 565, *Partnership Return of Income* and Form 568, *Limited Liability Company Return of Income*), file the Schedules K-1 (565 and 568) on magnetic media (CD, diskette, or cartridge). Mail Forms 565 and 568 to the FTB using the appropriate addresses.

If you want to produce Schedules K-1 (565 and 568) on magnetic media, use software that produces FTB-approved paperless (magnetic media) formatting or contact a professional who can format them for you. For more information, go to the FTB Website and get FTB Pub. 1062, *Guide for Filing Paperless Schedules K-1 (565 or 568)* and K-1 (565 and 568), TestWare.

### Compliance with Partnership and LLC Filing Requirements for Paperless Schedules K-1 (565 and 568)

Before you submit your clients' paperless Schedules K-1 (565 or 568), make sure you complete the procedures shown below. Doing so will further ensure error-free files and timely processing. **Reminder:**

- **Do not** mail or attach federal Schedules K-1 (1065) or California paper Schedules K-1 (565 or 568) to Forms 565 or 568 when you file your clients' schedules via magnetic media.
- Confirm Schedules K-1 (565 and 568) have been formatted and put on magnetic media for **each** person identified on Forms 565 and 568, Question J.
- Confirm all fields on the Schedules K-1 (565 or 568) are formatted and completed as described in FTB Pub. 1062.
- Verify the paperless Schedules K-1 (565 or 568) that you format on a CD or diskette, reconcile to Forms 565 and 568, Schedule K (565 or 568) and have been pre-tested with the K-1 (565 and 568) TestWare. (**Note:** If you format Schedules K-1 (565 or 568) to a cartridge, you must submit a test file to the FTB first to ensure process compatibility.)
- Provide your clients with the information contained on their paperless Schedules K-1 (565 or 568) before April 15, or the applicable filing date. **Note:** The information you provide your clients does not have to print on a Schedule K-1 (565 or 568); it may be in a test format.

You can download and send multiple partnership and LLC Schedules K-1 (565 or 568) to the FTB on the same CD or diskette. It is not necessary to provide a separate CD or diskette for each individual partnership or LLC. Use form FTB 3604, *Transmittal of Paperless K-1 (565 or 568) Information on Magnetic Media*, to provide the name, FEIN, and number of Schedules K-1 (565 or 568) that are included for each partnership or LLC on the CD or diskette.

### K-1 (565 and 568) TestWare

The FTB provides K-1 (565 or 568) TestWare as a tool to help you accurately prepare paperless Schedules K-1 (565 or 568). The program validates the K-1 (565 or 568) files and enables you to submit your clients' Schedules K-1 (565 or 568) error-free via CD or diskette. The TestWare can also expand your files from a delimited format into the format required to process the K-1 information through the FTB's mainframe. **Reminder:** You can download a copy of the K-1 (565 and 568) TestWare from the FTB Website or you can call the e-file Help Desk at (916) 845-0353.

### Substitute Schedules K-1 (565 or 568) Filing Requirements

If you choose to develop your clients' Schedules K-1 (565 or 568) (paperless or paper format), you must follow the same substitute forms review and approval requirements used by tax software developers, transfer agents, and others. You must complete and return to the FTB

form FTB 1096, *Agreement to Comply with FTB Pub. 1098*, FTB Pub. 1098, *Guidelines for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms*, includes the information you need to develop FTB-approved forms. To get a copy of form FTB 1096 or FTB Pub. 1098, please visit the FTB Website at [www.ftb.ca.gov/forms](http://www.ftb.ca.gov/forms)

**Note:** The paper format of Schedules K-1 (565 or 568) may be either a one-sided or two-sided format. The one-sided format includes only those tax data lines applicable to the partner or member. The two-sided format includes all tax data lines. Software companies choose the format to include in their tax products and both formats require approval from the FTB.

## Common Trusts and Investment Clubs

Common trust funds and investment clubs should use Form 565, Partnership Return of Income, to report their filing information. To help ensure accurate processing, common trust funds are required to use the principal business activity (PBA) code 525920. Investment clubs are required to use PBA code 523910. For further information, see the instructions for federal Form 1065, *U.S. Partnership Return of Income*.

## Power of Attorney (POA) Program

In August 1999, the FTB created a centralized file where POA declarations can be stored and viewed by authorized FTB employees. In January 2001, the FTB began mailing primary representatives a copy of their client's computer-generated notices. (**Note:** Not all FTB computer-generated notices are available for this service at this time.) For more information about the Power of Attorney program please see FTB Pub. 1144, *Power of Attorney Frequently Asked Questions*. This publication is available on the FTB Website at: [www.ftb.ca.gov/forms/misc/index.html](http://www.ftb.ca.gov/forms/misc/index.html)

### The Power of Attorney Form:

Form FTB 3520, *Power of Attorney*, has been revised to be more customer friendly and to help clarify required fields of information. To ensure accurate and timely processing of your client's POA declaration, be sure to provide the required information:

- Taxpayer's name and address.
- Taxpayer's social security number and/or business identification number.
- Name, address, telephone and fax number of the individual(s) the taxpayer is authorizing to represent them.
- The specific years or periods involved.

- A clear expression of the authorities the taxpayer is granting the representative.
- Taxpayer's signature and date. If a joint authorization, both spouses must sign.

### How to File a Power of Attorney with FTB

Mail it to FTB at:

POWER OF ATTORNEY  
FRANCHISE TAX BOARD  
PO BOX 2828  
RANCHO CORDOVA CA 95741-2828

For faster service, you may FAX it to the FTB at: (916) 845-0523

## FTB's Tax Practitioner Services

The Practitioners' Hotline is dedicated to helping CPAs, enrolled agents, attorneys, and other tax practitioners with questions on tax law, forms, California reporting requirements, and account resolution matters.

We encourage you to provide any of the acceptable POA forms to the FTB. The information you provide on any of these forms allows you to receive confidential or sensitive taxpayer information. The FTB will accept the following forms:

- Forms FTB 3520 and FTB 3520C-1, *Power of Attorney Declaration for Administration of Tax Matters*,
- Board of Equalization (BOE) Form 392, *Power of Attorney*,
- Federal Form 8821, *Tax Information Authorization*,
- Federal Form 2848, *Power of Attorney and Declaration of Representative*,
- Employment Development Department Form DE 48, *Power of Attorney*.

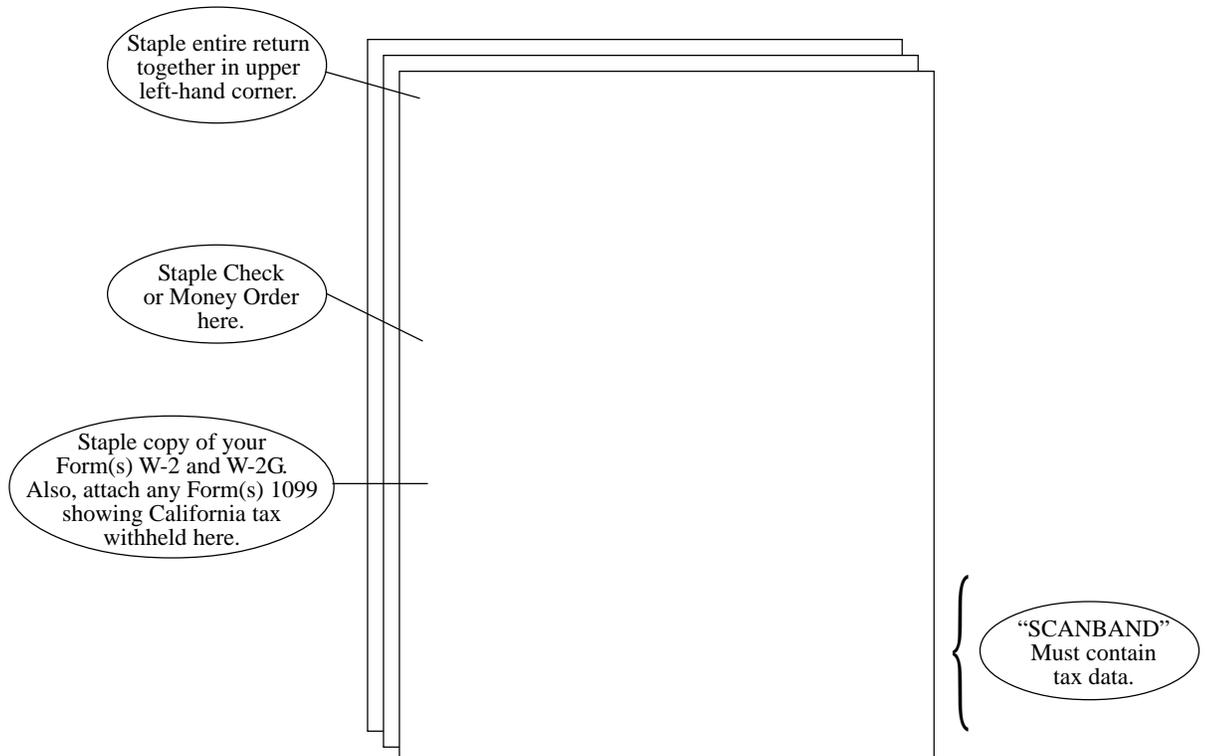
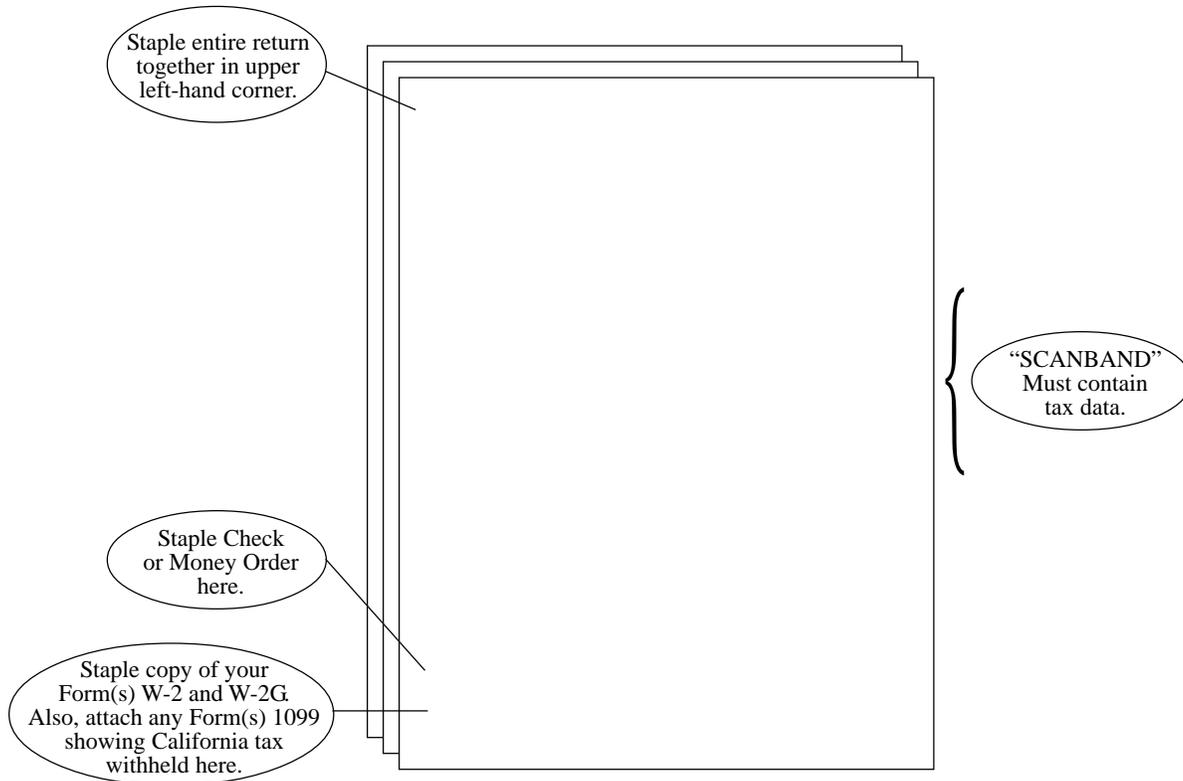
**Note:** The BOE and IRS forms must clearly state that the taxpayer wishes to be represented for FTB matters.

The telephone number is (916) 845-7057. If you call, be ready to provide client information such as social security number, latest notice received, or facts relating to the inquiry. Customer Service Representatives can respond to questions on both personal income tax law and corporation tax law.

You can FAX correspondence 24 hours a day, seven days a week. The FAX number is (916) 845-6377. When you FAX your correspondence, be sure your cover sheet includes your business letterhead, FAX number, and daytime telephone number. In addition, please submit a copy of your Power of Attorney (form FTB 3520), if not already on file. Generally, your correspondence will be answered in less than 10 working days. To help ensure a quick response, it is recommended that you keep your FAX machine turned on at all times.

The Practitioner's Hotline is staffed year round, Monday through Friday, 8 a.m. – 5 p.m.

# 2002 Scannable Form 540 and Form 540A Assembly Guidelines



## Tax Practitioner Tips for Computer-Preparing, Assembling, and Mailing Scannable Form 540 and Form 540A

Item/Activity	Scannable Form 540	Scannable Form 540A
Monetary Amounts (Taxpayer's Tax Data)	Monetary amounts <b>must</b> print in the scanband and <b>must</b> be whole dollars without decimal points or other punctuation. Monetary amounts in the conventional part of the form must include decimal points or a vertical rule (penny line). <b>Note:</b> Most software is programmed to print whole dollars only followed by a decimal point.	Same as scannable Form 540.
Additional Credits Line 28 and Line 29	Credit acronym, code number, and amount will print on the applicable line(s) in the conventional part of the form. See example on page 5.	Additional credits may not be claimed on scannable Form 540A.
Direct Deposit of Refund (DDR)	DDR consists of three fields: 1) DDR routing number (Must be 9 positions. The first two positions <b>must</b> be 01 through 12 or 21 through 32); 2) DDR account number; and 3) DDR account type. You must complete <b>all three</b> fields when selecting the DDR option. <b>Otherwise, leave all three fields blank.</b>	Same as scannable Form 540.
FTB-Supplied Label*	<b>Do not</b> apply the FTB-supplied label to the tax return. The FTB's processing system will capture the information that the software prints on the tax return.	Same as scannable Form 540.
Making Corrections*	<b>Do not</b> make corrections on the tax return. <b>Do not</b> modify the name, address, or tax data information. If there is an error, print a new tax return.	Same as scannable Form 540.
Submit Original Tax Returns*	<b>Submit original (hardcopy) tax returns. Do not</b> submit a photocopy. Tax returns should be single-sided, not two-sided	Same as scannable Form 540.
Attaching Federal Forms and California Supporting Forms	Form 540 may require attachments. Federal forms and California supporting forms (including form FTB 3506, <i>Child and Dependent Care Expenses Credit</i> ), may be stapled to the back of Form 540, Side 2.	If claiming the CA Child and Dependent Care Expenses Credit attach form FTB 3506 only. Otherwise, do not attach federal tax return.
Attaching Wage Statements	<b>Staple</b> "state" copy of Forms W-2, W-2G, and other Forms 1099 showing California tax withheld to <b>Side 1</b> in the area at "Step 5, Tax."	<b>Staple</b> "state" copy of Forms W-2, W-2G, and other Forms 1099 showing California tax withheld to <b>Side 1</b> in the area at "Step 4, Taxable Income and California Income Adjustments."
Attaching Check or Money Order	<b>Staple</b> check or money order to <b>Side 1</b> in the area at "Step 4, Taxable Income." (Place check or money order on top of any Form(s) W-2.) <b>Do not staple in scanband area.</b>	<b>Staple</b> check or money order to <b>Side 1</b> in the area at "Step 3, Exemptions." (Place check or money order on top of any Form(s) W-2.) <b>Do not staple in scanband area.</b>
Assembling Tax Return	<b>Staple</b> Side 1 to Side 2 and any attachments in the upper left-hand corner.	Same as scannable Form 540.
Where to Mail the Tax Return	REFUND OR NO AMOUNT DUE: FRANCHISE TAX BOARD PO BOX 942840 SACRAMENTO CA 94240-0009  AMOUNT YOU OWE: FRANCHISE TAX BOARD PO BOX 942867 SACRAMENTO CA 94267-0001	Same as scannable Form 540.

\*Apply these rules to all scannable vouchers (Forms 540-ES, 541-ES, forms FTB 3519, FTB 3563, and FTB 3582). Mail to the address shown on the form.

## Tax Practitioner Tips for Computer-Preparing, Assembling, and Mailing Form 540 2EZ, Long or Short Form 540NR, and Form 540X

Item/Activity	Form 540 2EZ	Long or Short Form 540NR	Form 540X
Monetary Amounts (Taxpayer's Tax Data)	Monetary amounts may include decimal points or a vertical rule (penny line).	Same as Form 540 2EZ.	Same as Form 540 2EZ.
Additional Credits	Your clients may not claim additional credits.	Credit acronym, code number, and amount will print on the applicable line(s) of Long Form 540NR only. (Your clients may not claim additional credits on Short Form 540NR.)	Not applicable.
Direct Deposit of Refund (DDR)	DDR consists of three fields: 1) DDR routing number (Must be 9 positions. The first two positions <b>must</b> be 01 through 12 or 21 through 32); 2) DDR account number; and 3) DDR account type. You must complete <b>all three</b> fields when selecting the DDR option. <b>Otherwise, leave all three fields blank.</b>	Same as Form 540 2EZ.	Not applicable.
FTB-Supplied Label	You may apply the FTB-supplied label to the tax return. However, it is not necessary because your software product will print this information.	Same as Form 540 2EZ.	Same as Form 540 2EZ.
Making Corrections	If the name and address that prints on the tax return is incorrect, draw a line in ink (black or blue) across the incorrect information and clearly write the correct information.	Same as Form 540 2EZ.	Same as Form 540 2EZ.
Submit Original Tax Returns	Submit original or photocopied tax returns. <b>Note:</b> Signature of the taxpayer (and taxpayer's spouse, if any) must be original.	Same as Form 540 2EZ.	Same as Form 540 2EZ.
Attaching Federal Forms and California Supporting Forms	<b>Never</b> attach federal tax return.	<b>Always</b> attach federal tax return.	Attach all supporting forms and schedules for items changed. Include federal forms and schedules if you made a change to your federal return. Include name and SSN for taxpayer (and taxpayer's spouse, if any,) on all attachments. Include complete copies of the Federal Audit Report(s) if you are reporting changes made by the IRS.
Where to Mail the Tax Return	REFUND OR NO AMOUNT DUE: FRANCHISE TAX BOARD PO BOX 942840 SACRAMENTO CA 94240-0002  AMOUNT YOU OWE: FRANCHISE TAX BOARD PO BOX 942867 SACRAMENTO CA 94267-0001	Same as Form 540 2EZ.	Same as Form 540 2EZ.